INSIGHTS FROM THE BOARDROOM

NACD Heartland subscribers share their expertise

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Is Your Board Prepared to Govern in an AI World?

When you hear the phrase "Artificial Intelligence," is your first reaction as a corporate director to think about risk? That was the general consensus at a recent NACD Heartland Chapter Des Moines breakfast meeting focused on this topic – until several attendees reminded us of the significant opportunities we must also consider as board members.

"Artificial intelligence (AI) is a transformational technology with the potential to produce both significant value and harm for businesses and their stakeholders," says a recent NACD report on **AI and Board Governance**. As such, boards have a fiduciary responsibilty to give attention to both the risks and opportunities posed by AI.

But since AI is relatively new in its applications, many boards are just beginning to think about its implications and where the topic even belongs. Ultimately, AI may be present in various parts of an enterprise. While the NACD report points out that "boards can continue to draw on the suite of governance principles, IT governance frameworks, practices, and experiences honed through their oversight of cybersecurity, privacy, ethics and compliance, and emerging technology to meet the challenges of AI governance," it may also be necessary to rethink committee responsibilities and increase education around AI to understand how to oversee it in all its complexity.

I reached out to board governance expert Steve Quinlivan, a partner with NACD Heartland Chapter sponsor Stinson LLP, and asked "What are some best practices for boards to consider as AI presents both opportunities and risks to organizations?"

Quinlivan noted:

Every company is different, and there is no one-size-fits-all response. Boards have a duty of oversight that includes understanding how AI will fit into a company's strategies and operations as well as where, when and how AI will be deployed.

AI will likely become pervasive throughout many companies' operations and in manners that are not predictable today. Thus, a board's duty of oversight is not a point-in-time analysis but is continuous as the migration to AI occurs.

Once the Board understands how AI will fit into a company's strategies and operations, it must consider risks associated with AI. As AI is dependent on data, risks often arise from data sets that are erroneous or biased. Algorithms create similar issues when based on faulty assumptions.

Boards should also consider the impact of AI on stakeholders such as employees and customers. AI has the potential to automate tasks, and employees will naturally be concerned about the risk of being displaced. Over time, this may lead to talent retention and recruitment issues. Boards should also consider whether appropriate policies have been developed for employees who use AI to generate work product and that employees are appropriately trained on risk mitigation issues.

Further, boards must ensure that permission to use customer data for AI operations has been appropriately secured. Likewise, boards should ensure the company has permission to use any proprietary or sensitive third-party data with AI.

Finally, as there are growing regulatory efforts surrounding AI, boards should oversee compliance activities where material to an enterprise.